



# **INFORMATION DEVELOPMENT CO., LTD.**

Financial results of Apr – Sep 2015

November 2015

President and Representative Director  
Masaki Funakoshi

TSE 1st section  
Code:4709

## 1. 2Q Overview

① Main Topics

② Performance Overview

## 2. The 3-Year Plan of ID Group (Structural reform)

## 3. Appendix

# 1. 2Q Overview

## ① Main Topics

**Change or Die!**

## ■ Opened a training academy in Myanmar

- Our affiliate company (ID Singapore paid 49% of the capital) opened a training academy, “i-Technology Professional Camp” in June.

## ■ Absorbed our consolidated subsidiaries

- We absorbed our consolidated subsidiaries Nihon Culturesoft Service Co., Ltd. and Software Development Co., Ltd. in July.

## ■ Established ID Indonesia

- We established PT. INFORMATION DEVELOPMENT INDONESIA in August.

## ■ Transferred and consolidated the head office

- We transferred and consolidated the head office and business departments into a single base in the August-September period.

# 1. 2Q Overview

## ②Performance Overview

Change or Die!

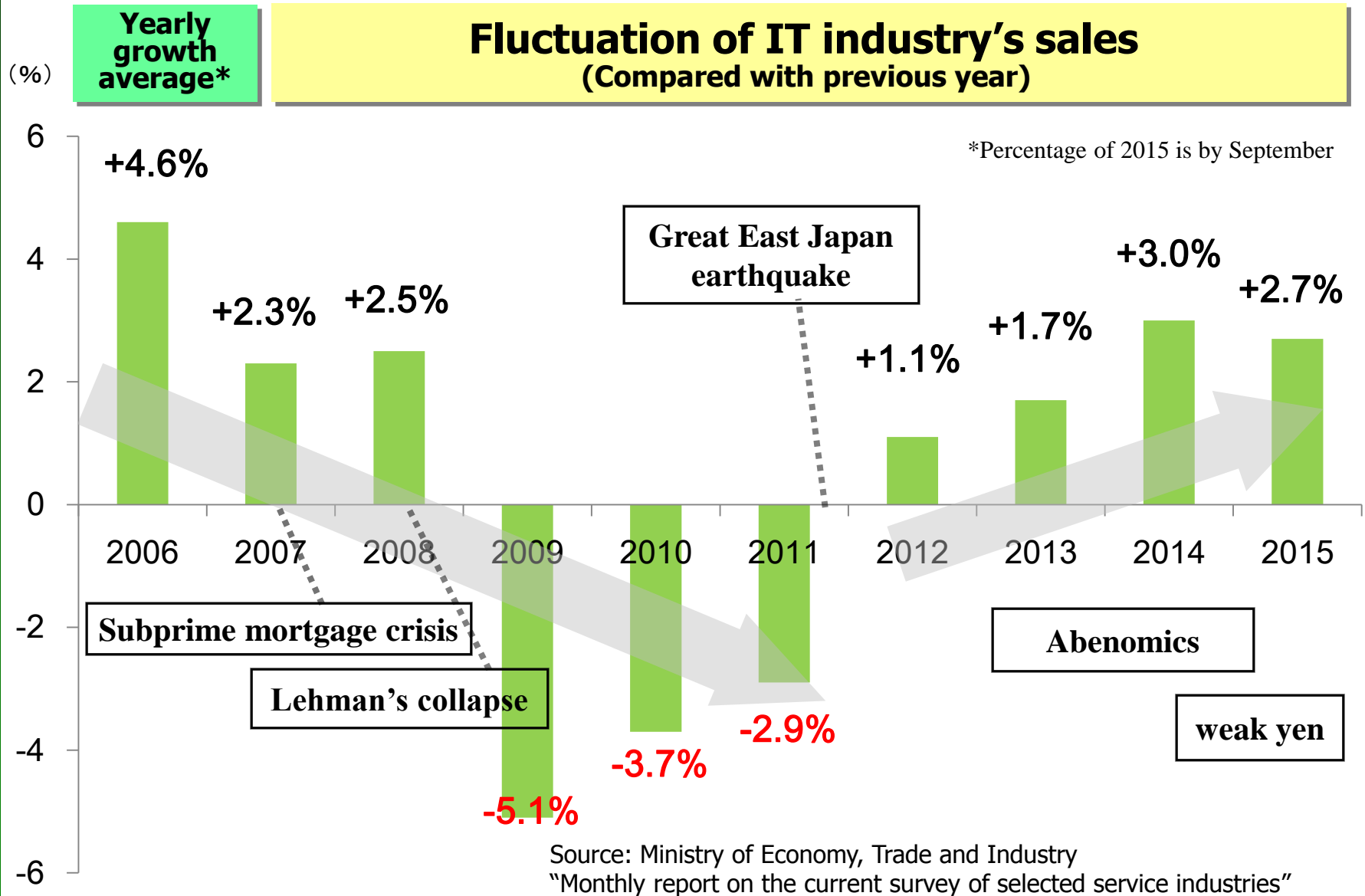
# Increasing revenue while decreasing profit

## ■ Strong sales

- The sales increased in system operation management business and software development business.

## ■ Profit decrease

- SG&A expenses increased which was caused by the office relocation including its related depreciation costs.
- Loss reserve and outsourcing fee increased which was caused by the unprofitable of software development projects.



# 2Q Financial Results① (consolidated)

( JPY million )	Sep. 2014	(% of revenue)	Sep. 2015	(% of revenue)	Diff.	YoY
Revenue	9,098	-	<b>9,729</b>	-	+630	+6.9%
Cost of Sales	7,385	81.2	<b>7,907</b>	81.3	+521	+7.1%
Gross Profit	1,712	18.8	<b>1,822</b>	18.7	+109	+6.4%
SG&A Expenses	1,300	14.3	<b>1,621</b>	16.7	+320	+24.7%
Operating Profit	412	4.5	<b>200</b>	2.1	<b>-211</b>	<b>-51.3%</b>
Recurring Profit	424	4.7	<b>208</b>	2.1	<b>-215</b>	<b>-50.8%</b>
Net Profit attributable to owners of the parent	230	2.5	<b>96</b>	1.0	<b>-134</b>	<b>-58.4%</b>

# 2Q Financial Results② (consolidated)

Change or Die!

( JPY million )	Sep. 2015	(% of revenue)	Sep. 2015 (forecast)	(% of revenue)	Diff.
Revenue	9,729	-	9,460	-	+2.8%
Operating Profit	200	2.1	250	2.6	-19.7%
Recurring Profit	208	2.1	240	2.5	-13.1%
Net Profit attributable to owners of the parent	96	1.0	120	1.3	-20.0%

# Quarterly Performance Overview (consolidated)



Change or Die!

( JPY million )		1Q	2Q	6 months
Sep.2014	Revenue	4,502	4,596	9,098
	Operating Profit	210	201	412
	OPM	4.7%	4.4%	4.5%
Sep.2015	Revenue	4,746	4,982	9,729
	Operating Profit	188	12	200
	OPM	4.0%	0.3%	2.1%
YoY	Revenue	+244	+386	+630
	Operating Profit	-22	-189	-211
	OPM	-0.7pp	-4.1pp	-2.4pp

## 2Q Financial Results of Consolidated Subsidiaries

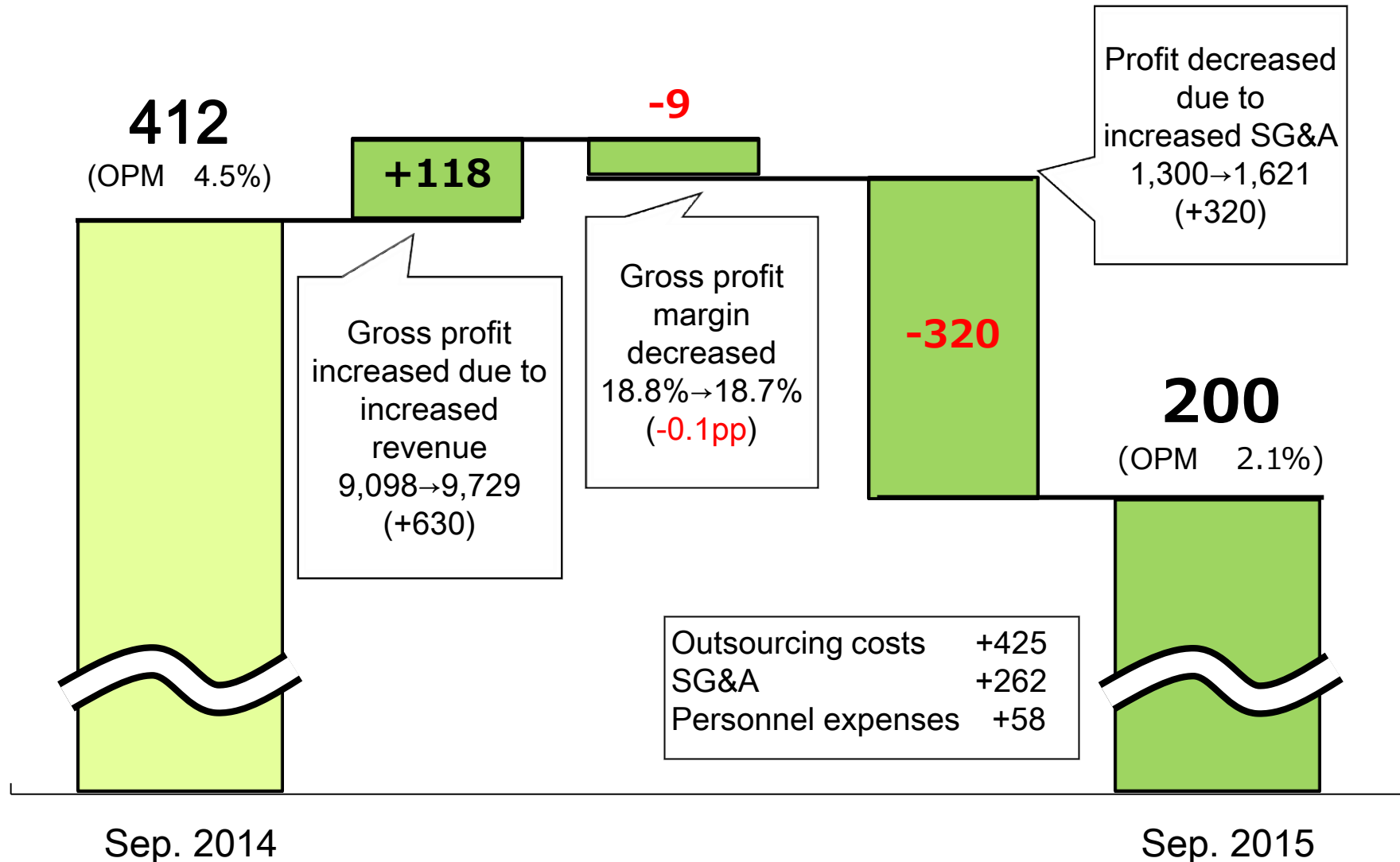


( JPY million )	Revenue				Operating Profit			
	Sep. 2014	Sep. 2015	Diff.	YoY	Sep. 2014	Sep. 2015	Diff.	YoY
PURAIIDO	115	177	+61	+53.2%	-5	25	+30	-
ID Wuhan	289	253	-35	-12.3%	32	1	-31	-96.3%
ID Singapore	13	13	-0.2	-1.5%	-25	-28	-2	-
ID America	11	11	-0.6	-5.8%	-11	-8	+2	-
AI FACTORY	0.5	1	+1	+200.0%	-13	-19	-6	-

(Note) Figures for each company are on a non-consolidated basis, so the total does not equal consolidated figures.

# 2Q Operating Profit Analysis (consolidated)

( JPY million )

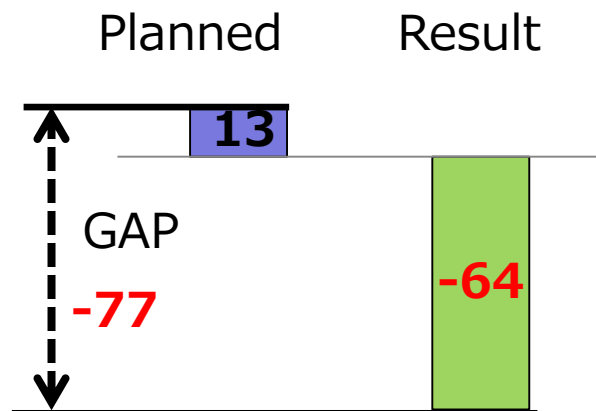


# 2Q Detailed Analysis

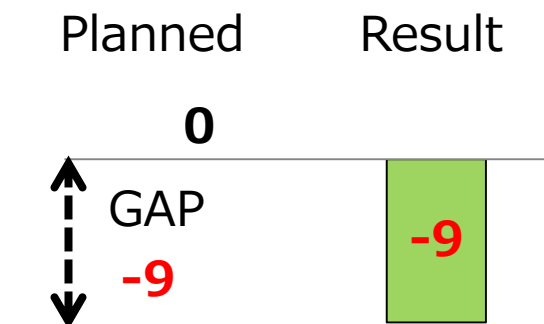
## Gross Profit

( JPY million )

### ● Unprofitable Project (A)



### ● Unprofitable Project (B)



## SG&A

( JPY million )

	Planned	Result	Diff.	YoY
<b>Total Expense</b>	<b>186</b>	<b>231</b>	<b>+45</b>	<b>+24.2%</b>
Expendable Office Supplies	60	93	+33	+55.0%
Office Rent	79	90	+11	+13.9%
Depreciation and Amortization	41	26	-15	-36.6%
Outsourcing Fee	6	22	+16	+266.7%

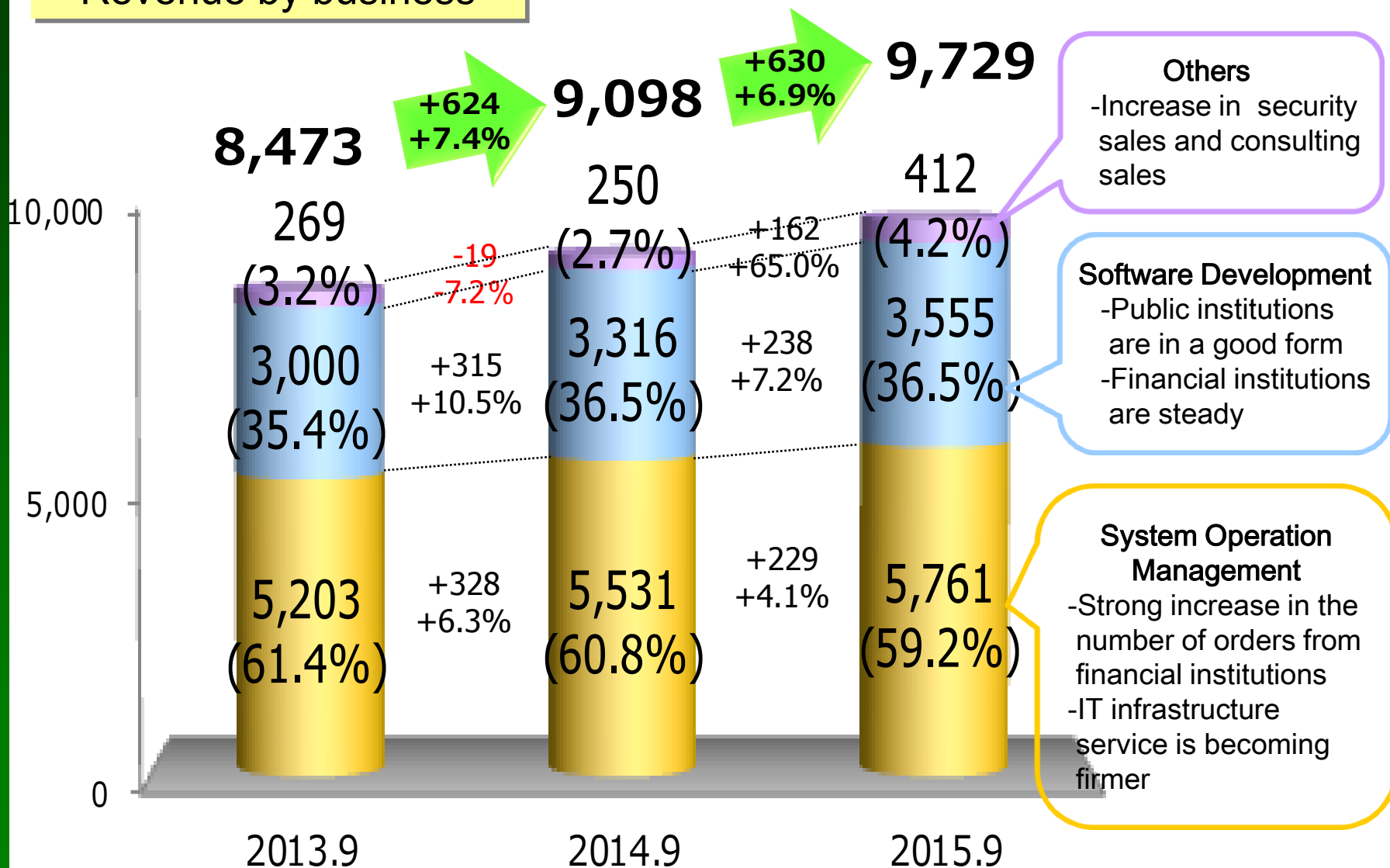
### ● Expense for Office Relocation

	Planned	Result	Diff.	YoY
<b>Total Expense</b>	<b>186</b>	<b>231</b>	<b>+45</b>	<b>+24.2%</b>
Expendable Office Supplies	60	93	+33	+55.0%
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# 2Q Feature of ID Group①

## Revenue by business

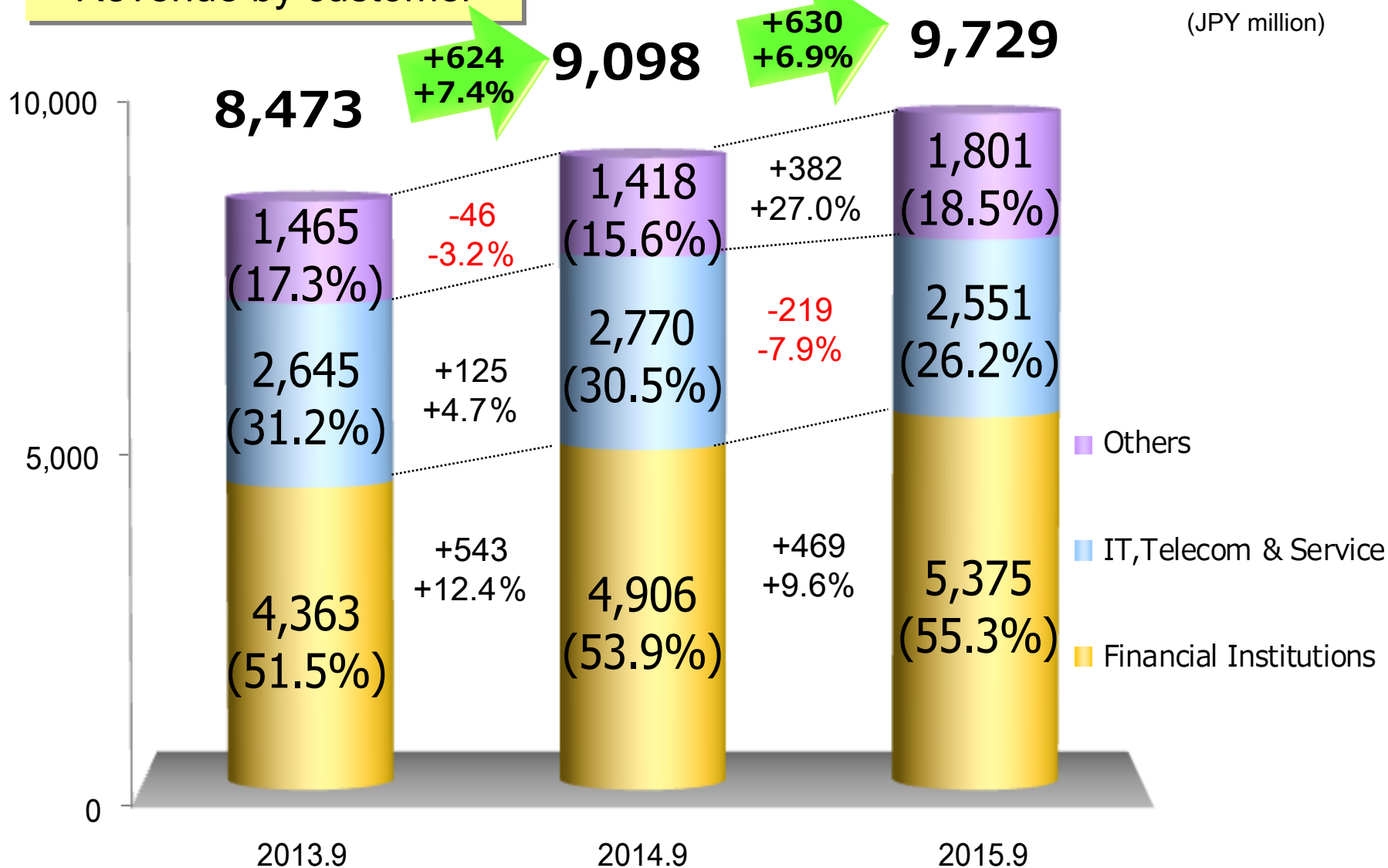
(JPY million) \*Figures in brackets indicate % of revenue.



# 2Q Feature of ID Group②

## Revenue by customer

\*Figures in brackets indicate % of revenue  
(JPY million)



## 2Q Feature of ID Group③

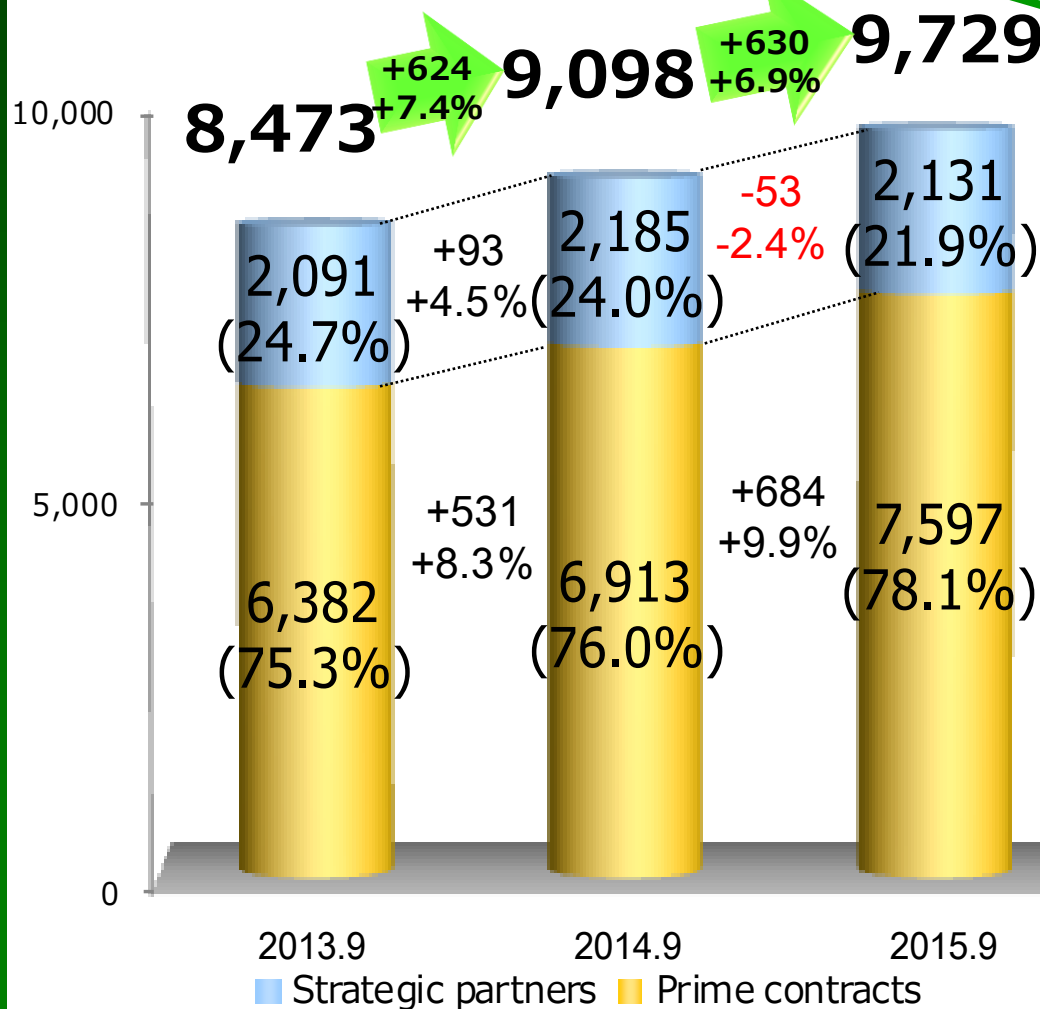
### Revenue by contract

(JPY million)  
\*Figures in brackets indicate % of revenue

About 50 customers are among the top 500 in the Forbes Global 2000

< Major customers >

### Prime contracts



- Financial Institution
- IT, Telecom & Services
- Others  
(Manufacturing, Transportation, Public Office, Utility etc.)

### Strategic partners

- Major IT Vendors

# 2Q Financial Position (consolidated)



Change or Die!

( JPY million )	Mar. 2015	Sep. 2015	Diff.	Main reasons
Current assets	6,731	<b>6,513</b>	-217	-Decrease in cash and deposits ( -331 )
Fixed assets	3,571	<b>3,825</b>	+254	-Decrease in trade and other receivables ( -172 )
Total assets	10,303	<b>10,339</b>	+36	-Increase of property, plant and equipment ( +475 )
Current liabilities	3,331	<b>3,437</b>	+105	-Increase debt with interest ( +185 )
Fixed liabilities	210	<b>255</b>	+44	
Total liabilities	3,542	<b>3,693</b>	+150	
Total net assets	6,760	<b>6,646</b>	-113	-Increase in net profit attributed to owners of the parent ( +96 ) -Decrease by payment for dividends ( -223 )
Total liabilities and net assets	10,303	<b>10,339</b>	+36	

# 2Q Cash Flows (consolidated)

Change or Die!

( JPY million )	Sep.2014	Sep.2015	Diff.
Cash flows from operating activities	587	-183	-770
Cash flows from investing activities	-98	-44	+54
Cash flows from financing activities	-503	-49	+453
Net increase/decrease in cash and cash equivalents	22	-281	-303
Cash and cash equivalents at the beginning of the period	2,594	2,485	-109
Cash and cash equivalents at the end of the period	2,617	2,204	-413

## 【2015.9 Breakdown】

- Cash flows from operating activities
  - Income before income taxes (+236)
  - Decrease in accounts receivable (+165)
  - Decrease in accrued consumption taxes (-344)
  - Income taxes paid (-230)
- Cash flows from investing activities
  - Purchase of property, plant and equipment (-152)
  - Sale of investment securities (+122)
- Cash flows from financing activities
  - Net increase in short-term loans payable (+200)
  - Repayments of long-term loans payable (-30)
  - Cash dividends paid (-221)

# 2Q Order Backlog

( JPY million )	Orders received	YoY	Backlog	YoY
System operation management	<b>7,650</b>	+2.3%	<b>2,503</b>	<b>-1.0%</b>
Software development	<b>4,382</b>	+11.8%	<b>949</b>	+20.4%
Others	<b>51</b>	+58.2%	<b>39</b>	+51.2%
Total	<b>12,084</b>	+5.7%	<b>3,492</b>	+4.5%

# Mar. 2016 Forecast

( JPY million )	Mar. 2015	(% of revenue)	Mar. 2016 (Forecast)	(% of revenue)	Diff.	YoY
Revenue	18,868	-	<b>20,000</b>	-	+1,131	+6.0%
Operating Profit	966	5.1%	<b>1,040</b>	5.2%	+73	+7.6%
Recurring Profit	998	5.3%	<b>1,040</b>	5.2%	+41	+4.1%
Net Profit attributable to owners of the parent	508	2.7%	<b>580</b>	2.9%	+71	+14.0%
EPS (¥)	71.05	-	<b>80.35</b>	-	+9.5	-
DPS (¥)	30.00	-	<b>30.00</b>	-	-	-

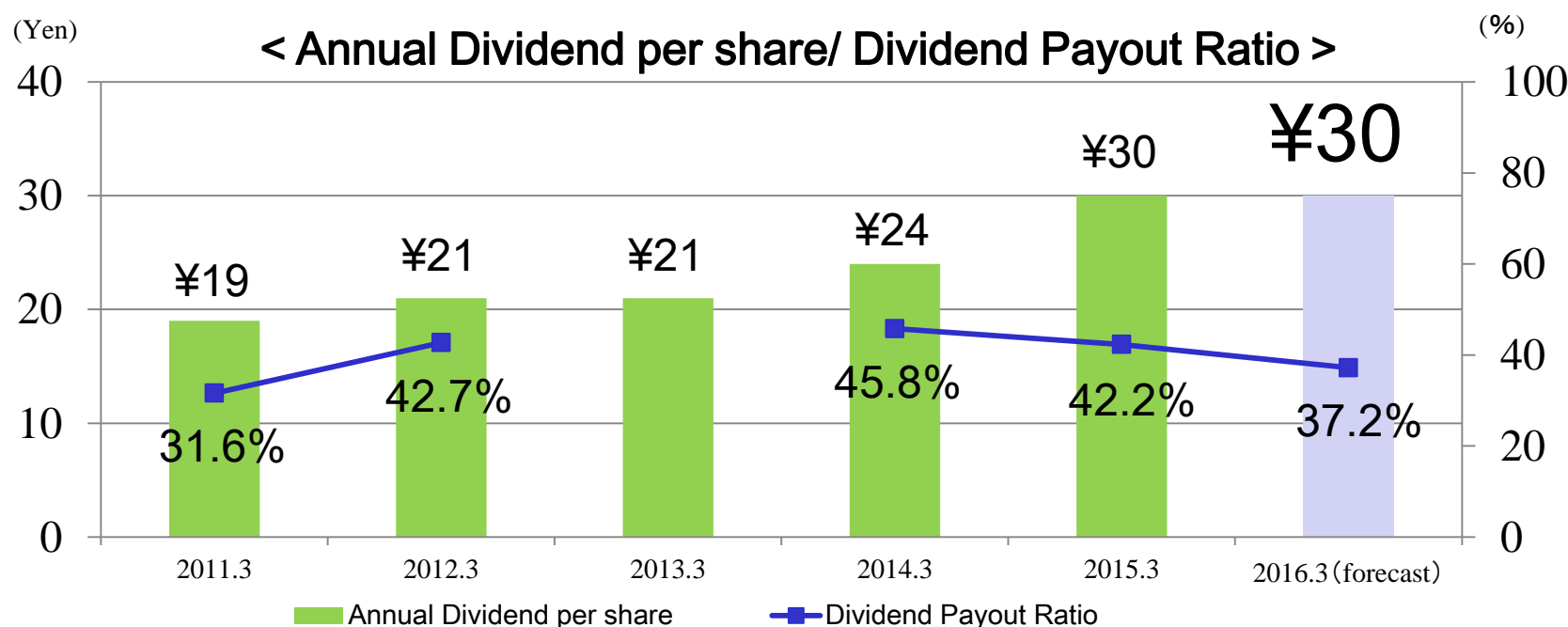
The dividend for the fiscal year ended March 2016

**¥30** (forecast)

- Change of ¥2 per share from special dividends to ordinary dividends

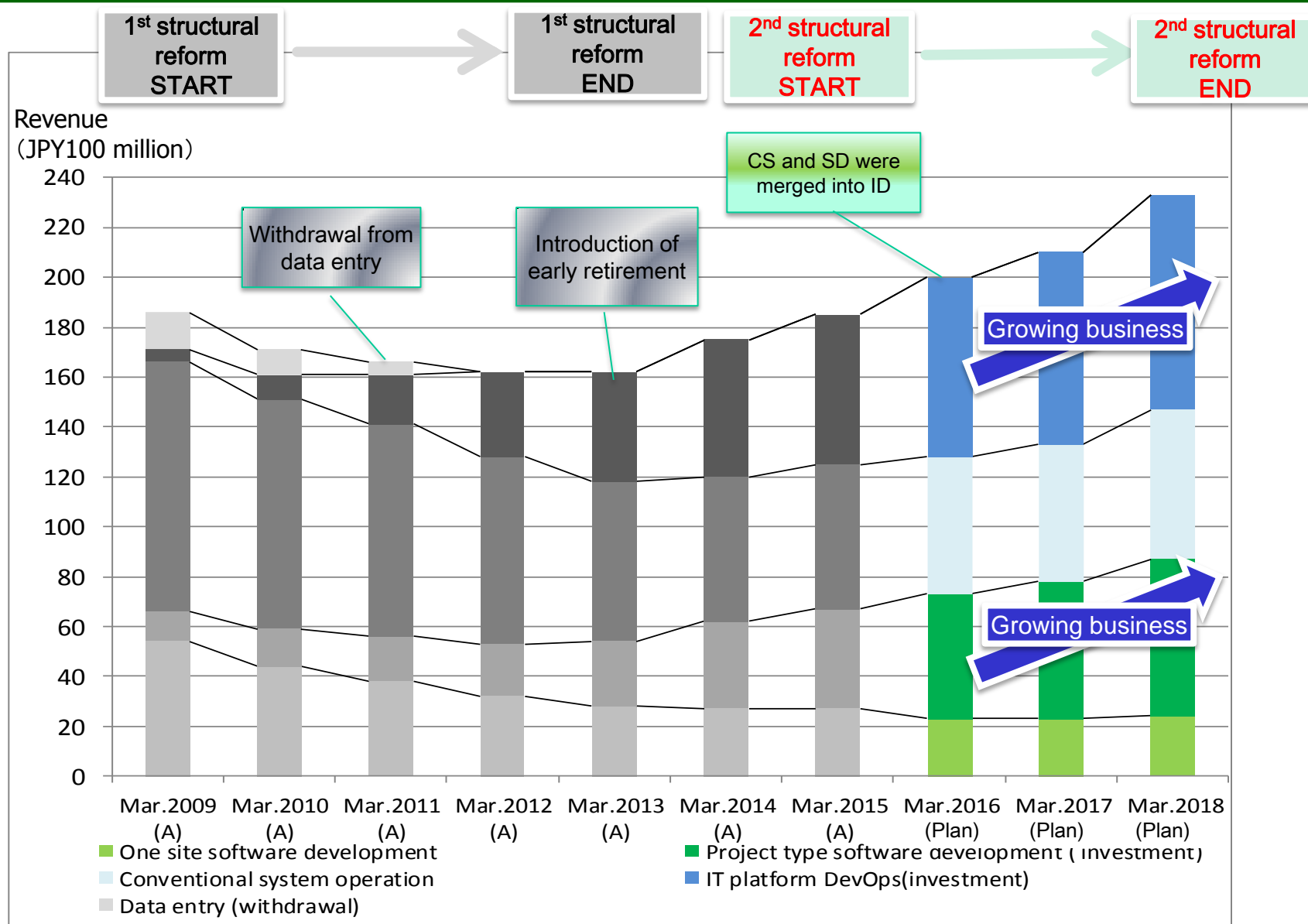
- **Basic Dividend Policy**

We will strive to secure a solid financial footing and stable revenue, and work to increase the return on equity to continue the proper distribution of profit backed by financial results.

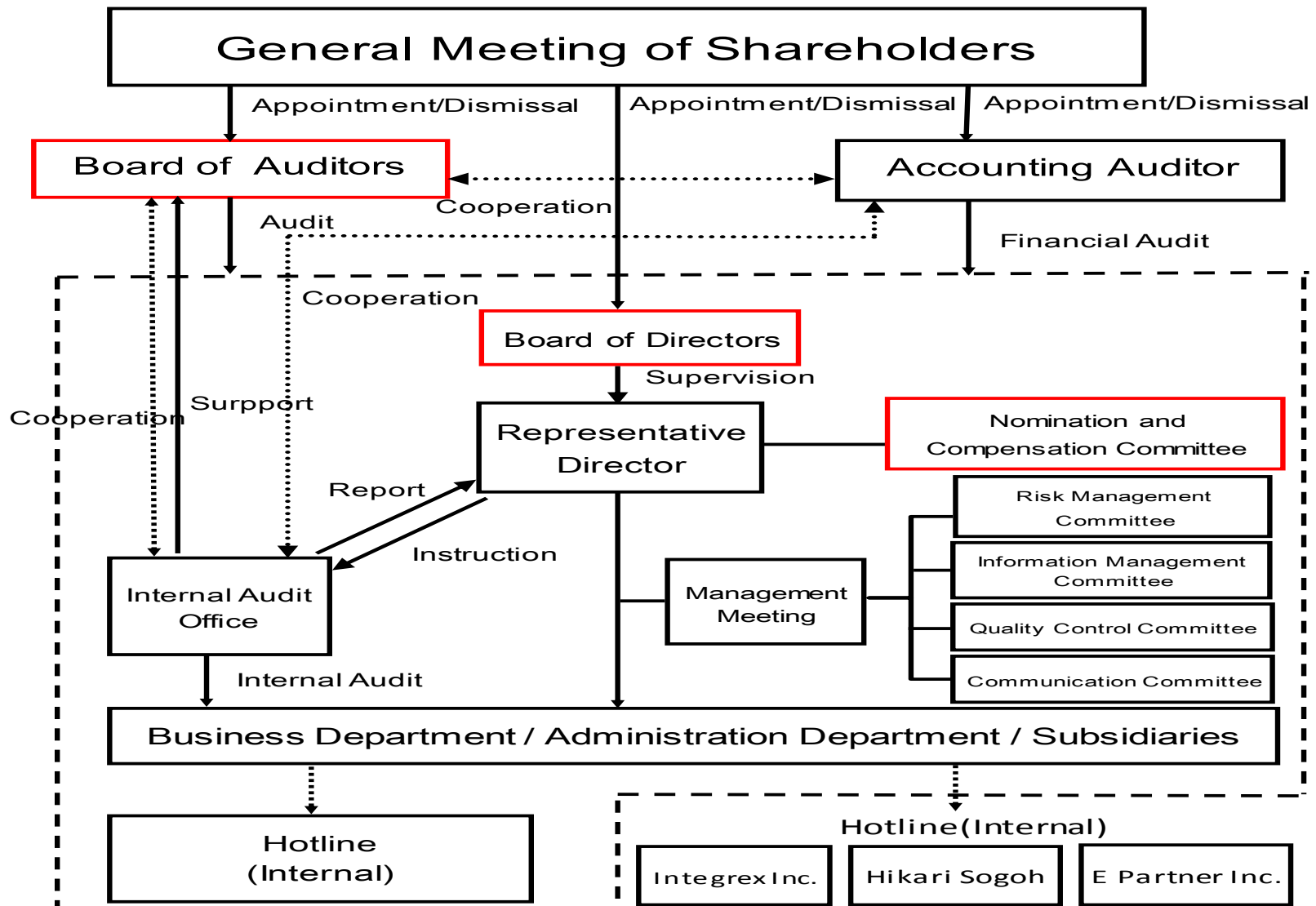


## 2. The 3-Year Plan of ID Group (Structural reform)

# Structural Reform



# Corporate Governance System



※Board of Directors consists of 6 (2 external, Yoy +1)

※Board of Auditors consists of 4 (3 external)

What the Group aims to be

**“Innovation Driven Visionary Company”**

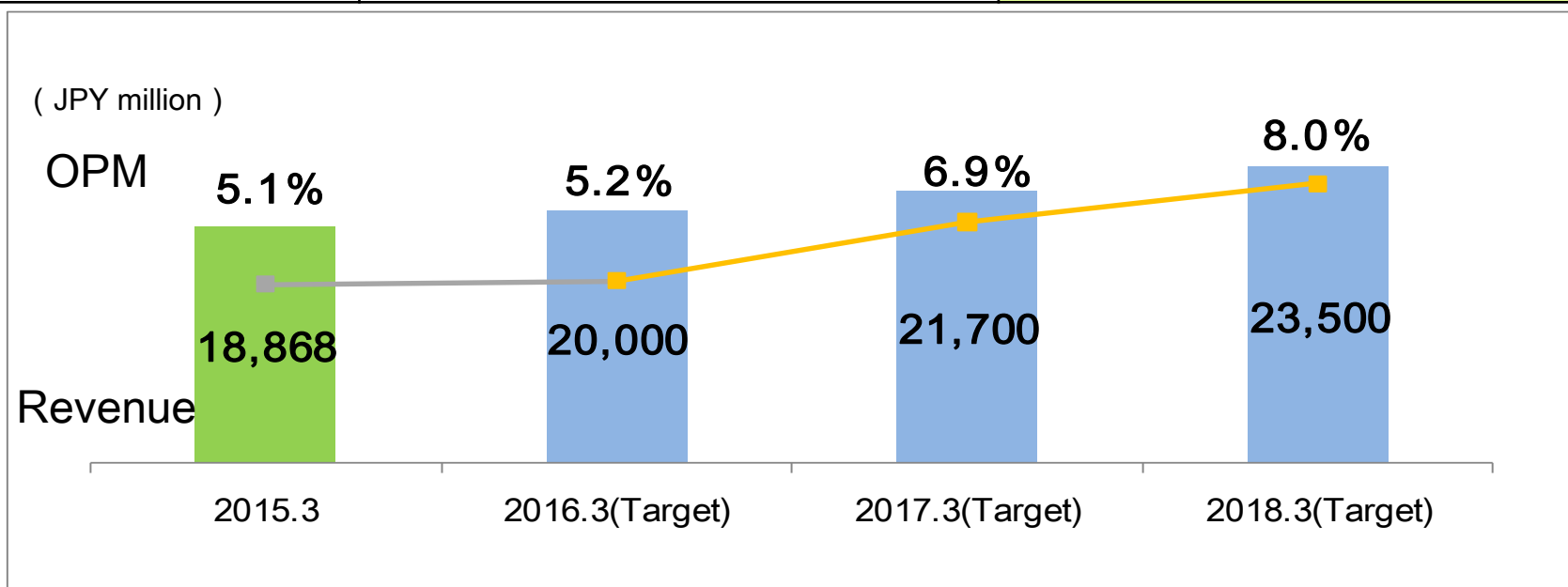
An outstanding IT service company that promptly delivers high quality services that delight customers

## Five Ongoing Strategies

1. Diversity & Inclusion
2. Business Operation Outsourcing
3. Cloud Service
4. Globalization
5. Improve business processes for more efficient group management

# Numerical Targets

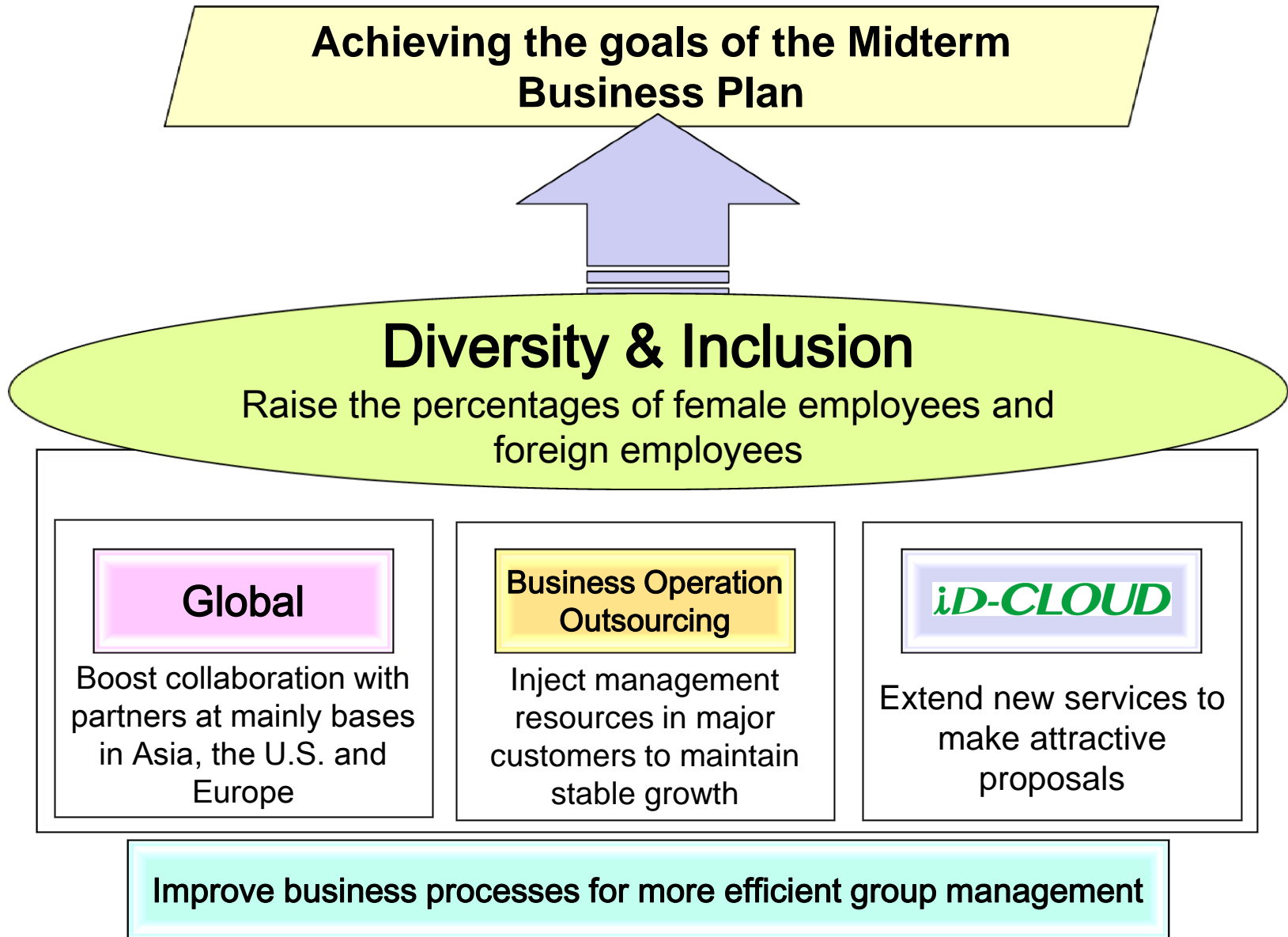
( JPY million)	Mar. 2015	Mar. 2018 (Target)
Revenue	18,868	<b>23,500</b> ( Diff. +4,631 )
Operating Profit	966	<b>1,880</b> ( Diff. +913 )
OPM	5.1%	<b>8.0%</b> ( Diff. +2.9pp )
ROE	8.1%	<b>14.6%</b> ( Diff. +6.5pp )



# Essence of Management Strategy

Change or Die!

1	Diversity & Inclusion	<ul style="list-style-type: none"> <li>◆ Set out an objective of female managerial position ratio and monitor periodically.</li> <li>◆ Raise the number of bilingual employees for vitalization of the company                             <ul style="list-style-type: none"> <li>-Objective by 2020: Female employees ratio to 50% ; Female managerial position ratio to 30%</li> <li>-Objective by 2018: Foreign employees ratio to 15%</li> </ul> </li> </ul>
2	Business Operation Outsourcing	<ul style="list-style-type: none"> <li>◆ Pursue cross-selling to existing customers and develop new customers</li> <li>◆ Provide one-stop service called <b>i-Bos24</b></li> </ul>
3	Cloud Service <b>iD-CLOUD</b>	<ul style="list-style-type: none"> <li>◆ Provide innovative services with world-class security products and reliable cloud system operation</li> <li>◆ Leverage our design capabilities of the cloud platform by inputting more resources and increase revenue</li> </ul>
4	Globalization	<ul style="list-style-type: none"> <li>◆ Enhance collaboration with our subsidiaries and business partners in China, Singapore, Myanmar, Indonesia, US and UK</li> <li>◆ Make business alliance with not only Japanese companies, but also indigenous companies where ID has overseas subsidiary company</li> <li>◆ Form a joint venture company in Myanmar, open IT training academy</li> <li>◆ Establish a subsidiary company in Indonesia</li> <li>◆ Push ahead with the introduction of the latest content from the US (ZeroTurnaround)</li> </ul>
5	Improve business processes for more efficient group management	<ul style="list-style-type: none"> <li>◆ Raise the level of human resources by merger of subsidiary companies in Japan</li> <li>◆ Enhance cooperation within the Group in terms of sales activities</li> <li>◆ Improving operational processes such as increasing productivity, assigning personnel to suitable positions, and tightening controls on working overtime</li> </ul>



# BOO (Business Operations Outsourcing) ①



**Promote Business Operations Outsourcing\* to expand services for existing and new customers of ID Group**

\*One stop service. From software development, system operation management, cloud & security service and BPO to consulting.

	A	B	C	D	E	F	G	H	I	J
System Operation Management	Existing Business Expansion	Existing Business	Existing Business	Existing Business Expansion	<b>Target</b>	Existing Business	Existing Business	<b>Target</b>	Existing Business	<b>Target</b>
IT platform	Existing Business	<b>Target</b>	Existing Business	Existing Business	Existing Business Expansion	<b>Target</b>	Existing Business	Existing Business	<b>Target</b>	Existing Business
Software Development	Existing Business	Existing Business	Existing Business	Existing Business	Existing Business	Existing Business	<b>Target</b>	Existing Business	Existing Business	Existing Business
Cloud	<b>Target</b>	<b>Target</b>	<b>Target</b>	Existing Business	<b>Target</b>	<b>Target</b>	<b>Target</b>	<b>Target</b>	<b>Target</b>	<b>Target</b>
Security	Existing Business	<b>Target</b>	Existing Business	Existing Business	<b>Target</b>	<b>Target</b>	Existing Business	<b>Target</b>	<b>Target</b>	Existing Business
Global	Existing Business New	<b>Target</b>	<b>Target</b>	<b>Target</b>	Existing Business	<b>Target</b>	<b>Target</b>	<b>Target</b>	<b>Target</b>	Existing Business <b>Target</b>

\* As of Mar. 31, 2015

Focus business resources on selected customers "Stable growth"

**Selected 13 customer groups out of 1,000 customers**

IT Vendor

Financial  
Transportation  
IT, Communication  
Utility

**Strategic partners**

**Major customers**

**Financial**

**Business Resources**

People

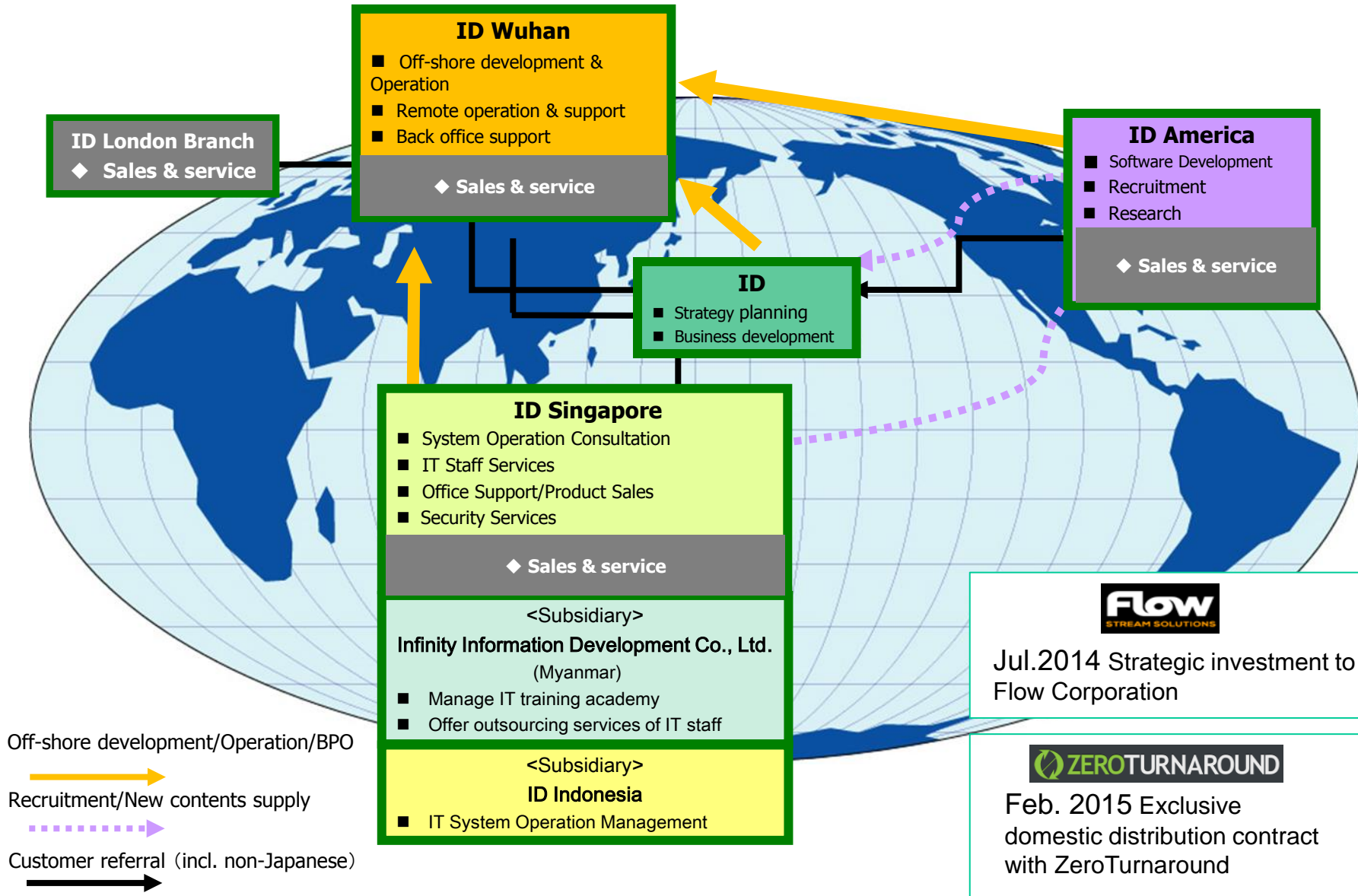
Goods

Capital

Intellectual  
Assets

# Global Expansion

Change or Die!



- ◎ One-stop service from introduction consulting to cloud service operation
- ◎ Global network to provide Japanese quality consistent services



## 3. Appendix

# About ID Group

**ID GROUP**



INFORMATION DEVELOPMENT

**Paid in capital:**  
**¥592.34 million**

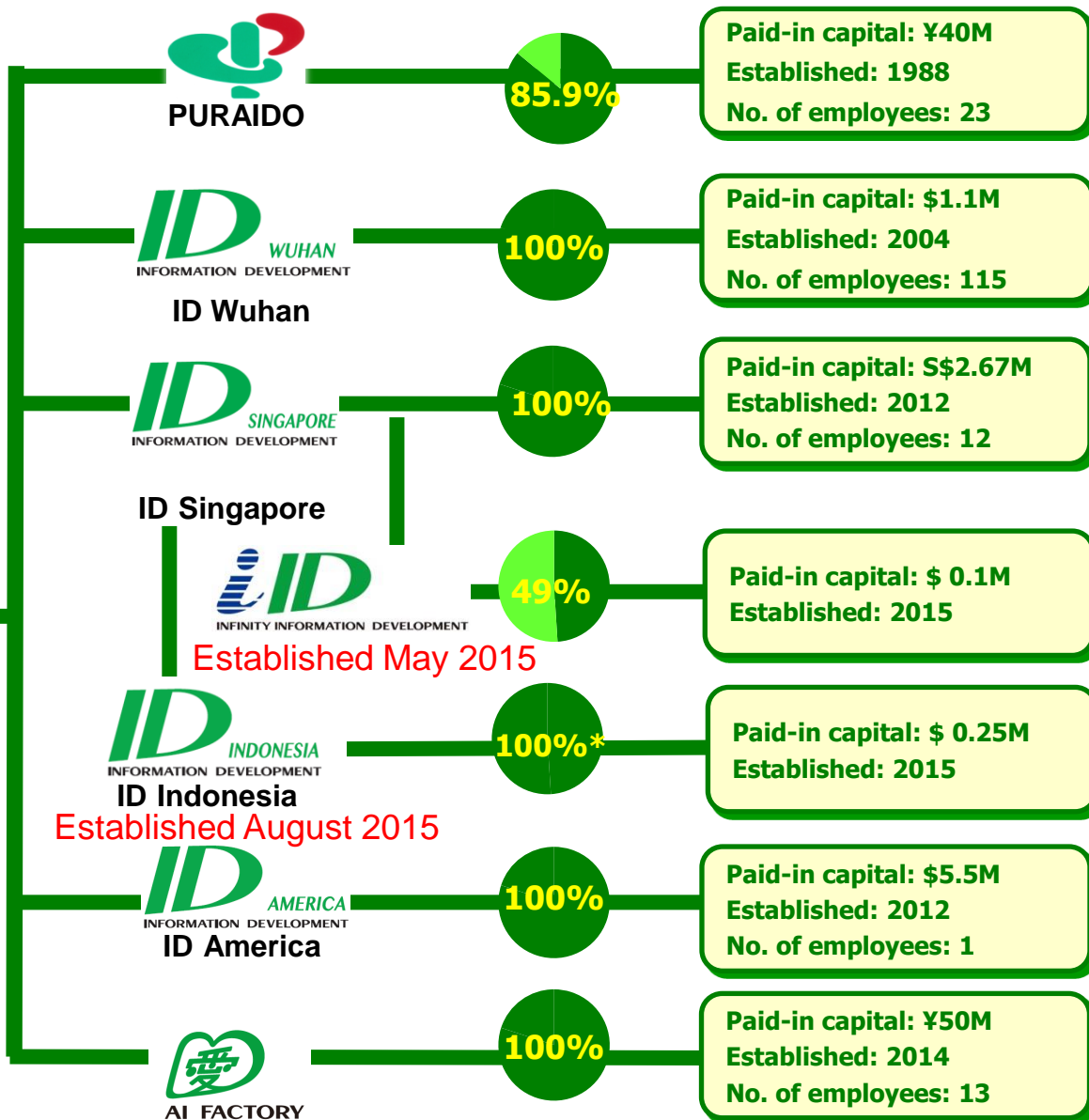
**Established:**  
**October 1969**

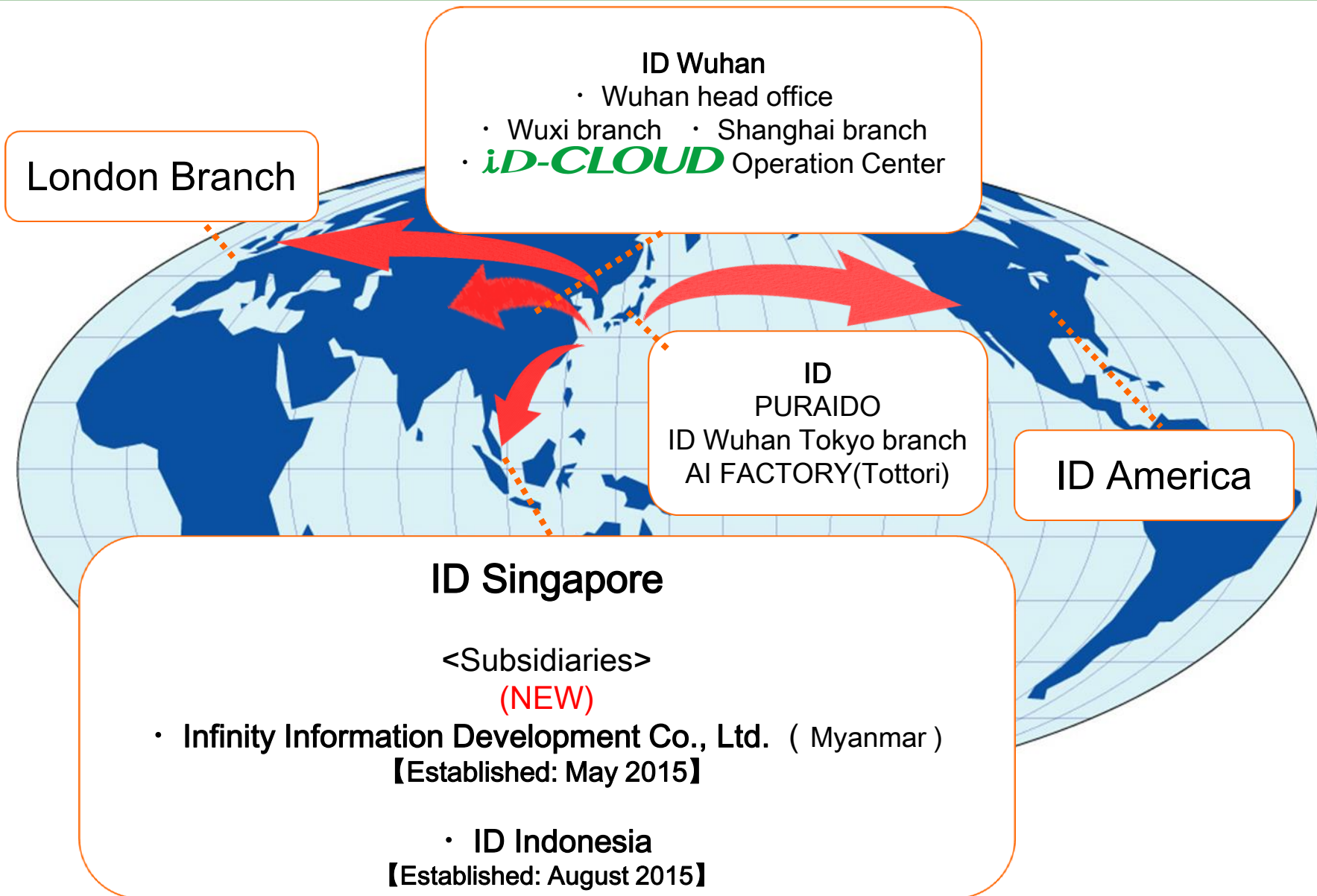
**No. of employees:**  
**1,878 (parent)**  
**2,042(consolidated)**

※No. of employees: as of Sep.30, 2015

※ID's ownership ratios are calculated by number of shares excluding treasury stock

\*Ownership ratio for ID Indonesia is 51% by ID Singapore and 49% by ID.





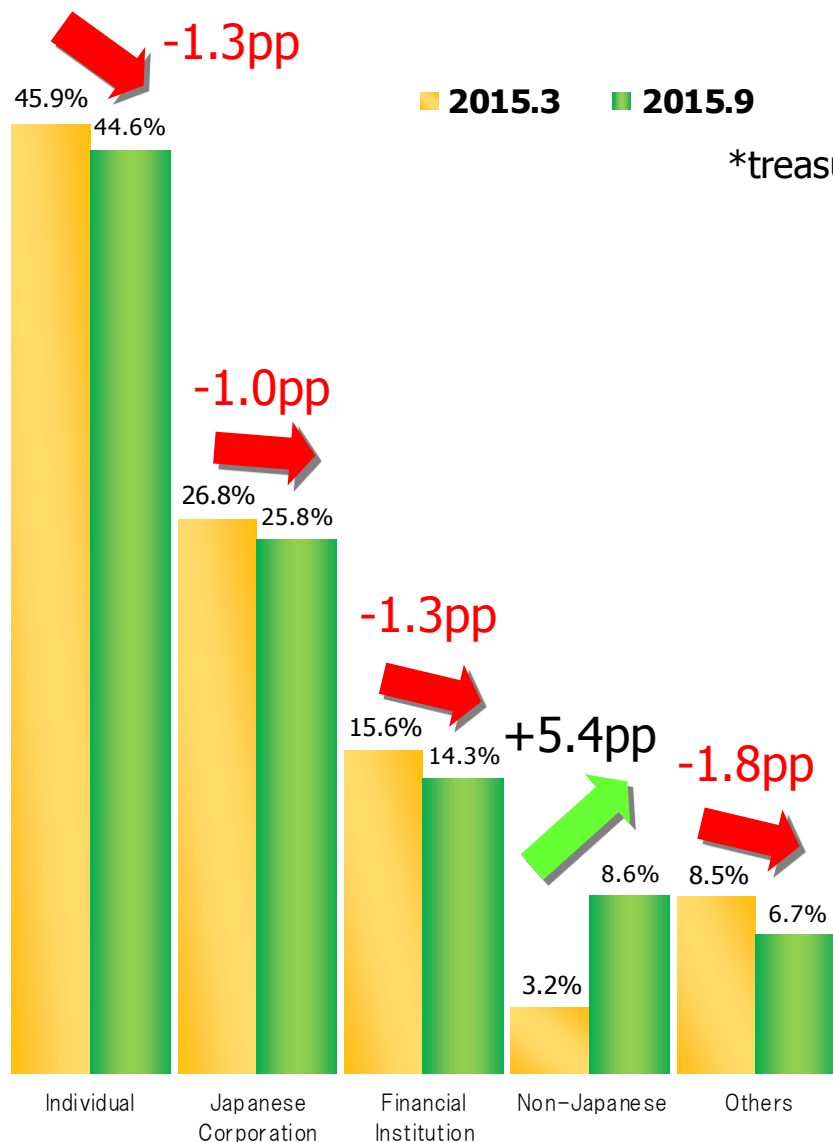
# Service of ID Group

**i-Bos24<sup>®</sup>** (ID's **B**usiness **O**perations-Outsourcing **S**ervice 24)



**One-stop solution from consulting to BPO**

## ◆ Shareholding by investor type



## ◆ Major shareholders

- No. of shareholders: 3,067(+57 since Mar. 2015)
- No. of shareholders with voting rights: 2,616 (+66 since Mar. 2015)

\*treasury stocks: 462,894, 5.76% isn't included in the list below

	Major shareholders	% of total shares
1	A. K. Corporation	11.20%
2	Mizuho Trust Systems Co., Ltd.	8.50%
3	ID Employee Ownership Account	5.81%
4	Trust & Custody Services Bank, Ltd.	4.34%
5	Mizuho Trust & Banking Co., Ltd.	3.51%
6	MSCO CUSTOMER SECURITIES	3.19%
7	TDC SOFTWARE ENGINEERING Inc.	2.35%
8	NORTHERN TRUST CO.(AVFC) RE NORTHERN TRUST(GUERNSEY) LIMITED RE GGDP RE: AIF CLIENTS 15. 315 PERCENT NON TREATY ACCOUNT	2.30%
9	SICAV COMGEST JAPAN	1.70%
10	Akemi Funakoshi	1.64%

\* As of Sep.30, 2015

# Reference: Financial Results (consolidated) FY2015

Change or Die!

( JPY million )	Mar. 2014	(% of revenue)	Mar. 2015	(% of revenue)	Diff.	YoY
Revenue	17,578	-	<b>18,868</b>	-	+1,289	+7.3%
Cost of Sales	14,306	81.4	<b>15,219</b>	80.7	+913	+6.4%
Gross Profit	3,272	18.6	<b>3,649</b>	19.3	+376	+11.5%
SG&A Expenses	2,536	14.4	<b>2,682</b>	14.2	+145	+5.8%
Operating Profit	735	4.2	<b>966</b>	5.1	+230	+31.3%
Recurring Profit	765	4.4	<b>998</b>	5.3	+233	+30.6%
Net Profit	372	2.1	<b>508</b>	2.7	+136	+36.8%

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These forward-looking statements and information also incorporate potential risks and uncertainties caused by changing economic trends, the competitive environment, and other factors. The Company's actual results, business development progress, and financial situation may differ significantly from forward-looking statements and information contained herein, due to competition in the industry, market demand, exchange rates, and other socioeconomic and political factors.